GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2571
ANSWERED ON:10.03.2000
GUIDELINES ISSUES TO BANKS BY SEBI
GADDE RAMAMOHAN;M.V.V.S MURTHI;SHIVAJI MANE

Will the Minister of FINANCE be pleased to state:

(a) whether the National Stock Exchange has advisedsome of the clearing banks, which have been aggressive in extending credit to brokers to review their limits as well as the quality of assets against which funds have been extended;

(b) if so, the details thereof;

(c) whether the SEBI is concerned over possible exploitationof the banking system by brokers taking large exposures on the back of guarantee;

(d) if so, the details thereof; and

(e) the further steps proposed to be taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b) : The National Stock Exchange ofIndia Limited continuously monitors the marketto ensure that contracts in securities are entered into and settled in an orderly and transparent manner in full compliance with the rules and regulations and takes appropriate measures to protect the integrity of the market as well as the interest of the investors. Although no such specific advice has been given by the Exchange, informal consultations do take place between the Exchange and other capital market intermediaries including clearing banks from time to time with a view to streamlining operations and risk management practices in the capital market.

(c) to (e) : SEBI has informed that exposuresof brokers are linked to the capital deposited by brokers with the Exchange. SEBI had prescribed that 75% of the base minimum capital deposited by the broker may be in the form of cash/fixed deposits/bank guarantees/securities. The additional capital and margins may also be deposited in the form of cash/bank guarantee/fixed deposits/securities. Recently, SEBI has prescribed that thecash component of additional capital and margin should reach the level of 50% by end of March, 2000 and the stock exchanges have been advised to work out a phased programme to implement the same. Government constantly reviews with SEBI suchmeasures, as may be necessary, to ensure that capital markets operate in an orderly and transparent manner.